

# City of Takoma Park

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Barbara B. Matthews, City Manager

April 4, 2011

Honorable City Councilmembers:

I am pleased to present for your review and consideration my recommended budget for the City of Takoma Park for Fiscal Year (FY) 2012. The City's annual budget determines the manner in which services will be delivered to the community during the coming year, and its adoption is the most important action that the City Council takes each year.

As in the past, I have prepared the proposed budget for FY 2012 with a focus on the long-term financial health of the City. Guiding financial principles included the following:

- Maintenance of adequate financial reserves to address timing differences in the City's receipt of monies and to avoid any disruption in services caused by a decline in a significant revenue source;
- Maintenance of Takoma Park's infrastructure, the City's vehicle and equipment fleet, and City facilities, both now and in the future; and,
- Use of reserve funds to fund only non-recurring initiatives or capital projects.

In the development of this budget, strong consideration was given to the priorities set forth in the City's Strategic Plan and prior financial and programmatic decisions made by the Council.

On February 22, 2011, the City Council held a work session to provide guidance on the development of the proposed budget for FY 2012. In keeping with the Council's direction at the work session, the proposed budget for FY 2012 focuses on the maintenance of existing service levels rather than the expansion of services.

## **Major Budgetary and Financial Issues**

### Economic Climate

The past few years have been a period of significant change for local governments across the country. While the Washington, D.C. region has fared better than many parts of the United States, both the State of Maryland and Montgomery County continue to grapple with structural budget deficits.

The cost cutting efforts of the State and County have included significant reductions in local aid, including Highway User Revenues, State Police Protection Aid, and municipal tax duplication payments. The reductions in these revenues sources have made the City of Takoma Park more reliant on real property tax revenues to meet its operational and capital needs.

On the national level, the economic downturn has resulted in low fixed income security rates. As a result, the City has experienced a significant decline in interest income on its investment portfolio in recent years.

The downturn in the stock market has impacted the investment portfolios of retirement systems across the country. The City has been particularly impacted by significant increases in the employer contribution rate for the State Retirement and Pension System of Maryland, through which the City provides retirement benefits to its non-sworn personnel.

The conventional wisdom is that it will take some time for the overall economic situation to improve. The staff will continue to be vigilant and to work to maximize use of the City's constrained resources for the betterment of the Takoma Park community.

#### Property Assessments and Taxes

Real property in the State of Maryland is reassessed on a triennial basis. All real property in Takoma Park was reassessed during FY 2010.

According to the Maryland Department of Assessments and Taxation, the City's assessable real property base (net) is estimated to increase by approximately \$59.5 million or 3.1 percent from the prior year. The increase in the net value is partially attributable to the impact of the State Homestead Property Tax Credit.

The State Homestead Property Tax Credit limits the increase in taxable assessments each year to ten percent for residential property owners that meet certain criteria. Technically, the Homestead Credit does not limit the market value of the property as determined by the Department of Assessments and Taxation but limits the increase on the amount to be taxed to no more than ten percent. The ten percent cap effectively delays the impact of significant escalations in residential property assessments. As assessed values decrease, the gap between true and taxable assessed values narrows, with the full impact of lower property values being reflected in flattening property tax revenues.

Recognizing that increasing assessments pose a hardship for property owners, the City Council has made a concerted effort in recent years to reduce the real property tax rate to lessen the financial impact. In FY 2006, the City Council reduced the real property tax rate from \$0.66 per \$100 of assessed valuation to \$0.63. The rate was lowered again in FY 2007 to \$0.61 per \$100 of assessed valuation, to \$0.605 in FY 2009, and to \$0.58 in FY 2010. The rate remained at \$0.58 in FY 2011.

The proposed budget for FY 2012 is predicated on the continuation of the \$0.58 real property tax rate. At this rate, real property tax revenues would increase by \$395,178 compared to FY 2011 budgeted revenues.

The recommended budget for FY 2012 provides \$160,000 for the City's local supplement to the State Homeowner Property Tax Credit Program. This program allows credits against the homeowner's property tax bill if the property taxes exceed a fixed percentage of the person's gross income. In other words, it sets a limit on the amount of property taxes any homeowner must pay based upon his/her income. Since September 2005, the City has provided a local supplement equal to 50 percent of the State Credit to provide tax relief to low- and moderate-income and other homeowners who qualify for the State credit. Historically, about 165 to 170 households per year have benefited from this tax relief.

#### Staffing and Personnel Costs

As a service industry, the majority of the City's operational costs are personnel-related. For FY 2012, approximately 55 of all proposed expenditures (all funds) are associated with staffing.

Staffing costs carry forward into future years; as wage rates and benefit costs increase, the impact on the City's operating budget is compounded over time. As a result, the City has been very cautious about adding new positions and has instead looked for ways to realign staffing as vacancies have occurred.

In FY 2011, the City Council accepted my recommendation to realign City staffing to position the City to remain financially stable in spite of the economic downturn. As part of this process, several positions were eliminated and others were restructured from full-time to part-time status. This realignment occurred across all City departments and, combined, resulted in an approximate five percent reduction in City staffing.

With the reduction in City staffing and no corresponding reduction in City service levels, the past year has been a challenging one for the City staff. They rose to the challenge, and the City was able to continue providing a high level of customer service due to the dedication and hard work of all City employees.

The proposed budget for FY 2012 recommends no change in staffing levels, in accordance with the guidance provided by the City Council at the February 22, 2011 work session. While the funding source for certain positions will change, full-time equivalents will essentially remain the same. Employee wage adjustments will be the subject of negotiation with the City's two bargaining units.

Relative to fringe benefit costs, employee health insurance is projected to increase 8.5 percent in FY 2012. The City's contribution rate for the City of Takoma Park Police Employees' Retirement Plan will essentially remain the same, increasing from 34.82 percent to 34.83 percent of covered payroll; the Plan covers sworn police officers who are employed on a regular full-time basis. By contrast, the City's contribution rate for the State Retirement and Pension System (which covers the City's non-sworn personnel) will significantly increase in FY 2012; the contribution rate will increase from 10.83 percent of covered payroll to 15.94 percent.

In FY 2011, the City was confronted with escalating costs in the area of worker's compensation insurance and, as a result, left the Montgomery County Insurance Pool. The proposed budget assumes that the City remains with its current carrier, the Injured Worker's Insurance Fund. On a budget-to-budget basis, worker's compensation costs are projected to decrease by \$55,000 in FY 2012.

### Debt Service

The FY 2012 budget for the Debt Service budgetary unit is \$2,144,583. This represents an increase of \$963,670 from the FY 2011 budget.

The variance is attributable to the proposed redemption of the 2002 Community Center bond issue. The bond provisions allow for the City to redeem the balance of this bond, which has an associated term of 20 years, in whole or in part at any time on or after June 1, 2012. The City has sufficient unreserved monies to redeem the bond in June 2012. The early redemption of the 2002 Community Center bond issue will save approximately \$347,000 in interest costs and trustee fees.

The proposed FY 2012 budget includes funding in the amount of \$1,398,056 for debt service payments associated with the 2002 Community Center bond issue. The scheduled debt service payment for the year totals \$157,556. The projected payoff amount for the bond issue in June 2012 is \$1,240,500.

In FY 2012, the City will make final payment on the 2004 street improvement bond issue. Since the bonds were issued, the City has pledged funding in the annual amount of \$500,000 for debt service on the bonds, with the balance allocated for street improvements. Upon retirement of the street improvement bond, the City will need to continue to allocate \$500,000 per year towards street improvements. As a result, there will be no net budgetary savings realized from the payoff of the street improvement bond issue.

During the coming fiscal year, the City will make the final payment on a capital lease for police cars. The lease payment for FY 2012 is \$49,322.

With the payoff of the 2002 Community Center bond issue and the capital lease, annual debt service payments going forward will be reduced by approximately \$207,000 (assuming that no new debt is issued).

The reduction in debt service payments beginning in FY 2013 will provide the City with greater financial flexibility in the future.

### Environmental Initiatives

During FY 2012, the City will undertake a number of environmental initiatives. These initiatives are described in detail below.

As part of the annual purchase of police vehicles, a traditional gasoline fueled vehicle will be replaced by a hybrid vehicle. The hybrid vehicle will emit fewer tons of CO<sub>2</sub> per year and will reduce the City's fuel costs over the life of the vehicle.

At the corner of Prince George's Avenue and Circle Avenue, the City owns a large parcel in the right-of-way that contains several storm system lines and a large inlet. The Prince George's/Circle Avenue Bio-Retention Project will involve the creation of a bio-retention area by removing the existing inlet and excavating an area that will be replaced with sand and soils that promote drainage. The area will be replanted with vegetation that thrives in these conditions. It will be structured to enable run-off from the surrounding streets to be channeled into the bio-retention area.

The intersection of Wabash and Roanoke Avenue is a large impervious asphalt area that is steeply sloped. The slope continues outside the roadway and down to Sligo Creek Parkway and the creek. During most rains, water washes down the street and causes erosion to the steep slope. The Wabash Avenue Filtration and Stabilization Project will remove a portion of the asphalt and replace it with a filtration area. Stormwater can then be absorbed into the ground, slowing the velocity of the water, reducing erosion, and removing pollutants.

The Poplar Mill/Sligo Mill area is a designated open space, purchased largely by the Maryland-National Capital Park and Planning Commission. In accordance with an agreement with the Commission, the City maintains the space. The area includes a large creek known as "Takoma Branch" which is fed by a large storm drain culvert which drains the adjacent area. Within the floodplain, there is evidence that the site was used for many years as a dumping ground for concrete, rubble, and other trash. The Poplar Mill/Sligo Mill Debris Removal and Takoma Branch Stream Valley Restoration Project, which will continue over many years, will entail the removal of the debris and the re-creation of the natural contour of the streambed. As part of the project, invasive species will be removed.

The Ritchie Avenue Bio-Retention Project will entail installation of a traffic circle along with streetscaping in curb extensions. Current plans call for the central traffic circle to be constructed with porous pavers. The curb extension will serve as a bio-retention area to treat the runoff generated from the Oswego and Ritchie Avenue intersection.

The Flower Avenue Green Street project will have two significant "green" benefits. By making the street safer and more comfortable for pedestrians, bikers, and bus riders, non-vehicular modes of transportation will be encouraged. The project will also slow, filter, and reduce stormwater runoff into Sligo Creek and Long Branch Creek. The one-mile stretch of Flower Avenue between Piney Branch Road and Carroll Avenue has almost no stormwater infrastructure. Rain water flows on the surface of Flower Avenue to the side streets and then flows directly into Sligo Creek and Long Branch Creek. Rain gardens, proposed to line Flower Avenue, will slow the runoff and allow for filtration of the water entering the watershed. If funds allow, other "green" features can be installed, such as LED streetlights and green roofed bus shelters.

The City has been awarded a grant in the amount of \$93,000 from the Maryland Energy Administration. The grant funding, supplemented by City funding for design services, will be used to make energy efficient improvements at the Takoma Park Community Center. The existing chiller system will be replaced with a high efficiency chiller and two air handling units. Programmable thermostats will be added for the five existing roof top heat pump units.

The FY 2012 budget also contemplates continuation of the bulk buy tree purchase program. In keeping with the Council's stated desire to encourage planting of trees on private property, the City will provide a subsidy of \$50 per tree purchased through the program. The budget assumes the allocation of \$5,000 from the Tree Fund for this subsidy.

#### Equipment Replacement Reserve

In accordance with the City Charter, certain monies are set aside for the scheduled replacement of vehicles and equipment. These funds are accounted for in the Equipment Replacement Reserve.

Prior to my tenure as City Manager, there were years in which no contribution was made to the Equipment Replacement Reserve. With the support of the City Council, a concerted effort has been made in recent years to adequately fund the Equipment Replacement Reserve to ensure that the City's vehicle and equipment fleet is appropriately maintained. The proposed budget contemplates a contribution in the amount of \$750,000 to the Equipment Replacement Reserve. Because FY 2012 revenues will not fully support this level of contribution, a portion of it will be made through a transfer from unreserved fund balance to the Equipment Replacement Reserve.

#### Facility Maintenance Reserve

The FY 2012 budget contemplates the creation of a Facility Maintenance Reserve. Currently, the Equipment Replacement Reserve contains a number of items that are facility-related; however, it does not provide an adequate mechanism to address all future facility maintenance needs.

The creation of a Facility Maintenance Reserve would provide a more focused mechanism to ensure that the City identifies and plans for future facility maintenance items. The proposed budget for FY 2012 recommends an initial funding contribution of \$250,000 for the Facility Maintenance Reserve.

### **Budget Overview**

The FY 2012 budget accounts for the City's financial activities through four primary funds or fiscal entities. They are the General Fund, the Stormwater Management Fund, the Special Revenue Funds (comprised of several sub-funds), and the Speed Camera Fund.

The General Fund accounts for the day-to-day operational activities of the City, such as police protection, snow removal, and general administration. The City is responsible for providing stormwater management services within its corporate boundaries; revenue and expenditure activities related to this function are tracked through the Stormwater Management Fund. The Special Revenue Fund is utilized to account for projects financed with grants, including those from federal, state, and county agencies. The Speed Camera Fund was established in FY 2009 to track financial transactions associated with the City's speed camera program, which went into effect on April 1, 2009.

Combined expenditures for all funds for FY 2012 equal \$24,540,487. Combined revenues for all funds total \$22,915,252. The variance between expenditures and revenues is made up by the use of fund balance, including monies set aside in the Equipment Replacement Reserve.

The following table summarizes proposed expenditures for FY 2012 by fund. Budgeted and estimated expenditures for FY 2011 are provided for comparative purposes.

<b>Fund</b>	<b>Budgeted FY 2011</b>	<b>Estimated FY 2011</b>	<b>Proposed FY 2012</b>
General	\$22,372,762	\$21,965,457	\$20,736,157
Stormwater Management	535,214	543,978	498,511
Special Revenue	850,239	451,875	1,025,041
Community Center	20,000	20,000	0
Speed Camera	2,022,166	1,758,455	2,280,778
<b>Total Expenditures</b>	<b>\$25,800,381</b>	<b>\$24,739,765</b>	<b>\$24,540,487</b>

The variance between FY 2011 and FY 2012 expenditures is attributable primarily to costs associated with renovation of the Public Works Facility. Further detail on each of the four funds comprising the FY 2012 budget follows.

### **General Fund**

The majority of City spending is accounted for in the General Fund. Departmental activities reflected in General Fund expenditures include General Government, Police, Public Works, Recreation, Housing and Community Development, Communications, and Library.

In addition to the aforementioned operational activities of the City, the General Fund also provides for certain expenditures that are not related to a particular department. These costs, classified as “non-departmental” for budgetary purposes, include general liability and other insurance coverage and the City’s local supplement to the State Homeowner’s Property Tax Credit.

The General Fund provides for principal and interest payments on the City’s outstanding debt obligations. These obligations, which were incurred as a result of long or short-term borrowing or lease financing, are accounted for in the debt service division of the General Fund.

Certain capital expenditures are also recorded in the General Fund. These expenditures include the purchase of vehicles and equipment and the cost of infrastructure projects, including street resurfacing.

### **General Fund Revenues**

The following table summarizes projected General Fund revenues for FY 2012 by source. Budgeted and estimated revenues for FY 2011 are provided for comparative purposes.

<b>Revenue Source</b>	<b>Budgeted FY 2011</b>	<b>Estimated FY 2011</b>	<b>Proposed FY 2012</b>
Taxes and utility fees	\$13,548,772	\$13,542,297	\$13,949,128
Licenses and permits	71,604	41,500	53,300
Fines and forfeitures	207,000	262,000	228,800
Use of money and property	76,000	58,000	60,000
Charges for service	835,700	915,000	906,800
Intergovernmental	4,065,941	4,233,656	4,137,610
Miscellaneous	143,325	143,725	82,350
<b>Total Revenues</b>	<b>\$18,948,342</b>	<b>\$19,196,178</b>	<b>\$19,417,988</b>

As mentioned earlier in this transmittal message, Takoma Park relies heavily on property taxes to fund its operations. The decline in other revenue sources in recent years has increased the City’s reliance on property tax revenues. Tax receipts from real property make up approximately 58 percent of projected FY 2012 General Fund revenues.

Income taxes are another major source of operating revenues for the City. In accordance with Maryland law, municipalities within Montgomery County receive 17 percent of County income tax collected within the municipality. Revenues declined slightly in FY 2009, likely due in part to the General Assembly’s approval

of an increase in the income tax personal exemption, decreasing taxable income on which local income taxes are based. The downturn in the economy has also impacted this revenue source, and the City's income tax receipts for Fiscal Year 2011 are expected to come in slightly under budget. In anticipation of stronger economic conditions in FY 2012, income tax revenues are projected to increase slightly compared to Fiscal Year 2011 receipts. This revenue source is anticipated to yield approximately \$2.1 million, which equates to about 11 percent of total General Fund revenues for FY 2011.

Intergovernmental revenues are projected to increase by about \$72,000 from FY 2011. The decrease in intergovernmental revenues is a direct result of the financial difficulties of the State of Maryland and Montgomery County. In late summer 2009, the State of Maryland significantly reduced the municipal share of Highway User Revenues as well as State Police Protection Aid. To put this reduction in perspective, the City received revenues of approximately \$994,000 from these two sources in Fiscal Year 2008. For FY 2012, staff projects receipts of about \$283,000 from Highway User Revenues and State Police Protection Aid. As of the date of this transmittal message, the State Legislature is considering a measure that would restore a portion of the prior reduction in Highway User Revenues. While I am cautiously optimistic that this measure will come to fruition, its success was too speculative at this juncture to adjust Highway User Revenues accordingly.

In addition to the decline in State revenues, the City has also experienced a decline in monies coming from Montgomery County. During FY 2011, the County reduced tax duplication payments by 15 percent, resulting in a revenue loss of \$450,010. The County also reduced its Library Aid payment and the amount of the operational grant for the New Hampshire Avenue Recreation Center.

The County Executive's proposed budget reflects a five percent reduction in the FY 2011 amount for tax duplication payments, equating to a revenue loss of \$127,503. A similar reduction has been proposed for the Library Aid payment and the operational grant for the New Hampshire Avenue Recreation Center.

Based on data received from Montgomery County, the FY 2011 budget also reflected a reduction in the County Police Rebate, which is based on Takoma Park's assessable base. The City recently learned that a computation error had been made and that the City will actually receive \$163,420 more than the budgeted amount. Revenues from this source are expected to increase again in FY 2012, reflecting a budget-to-budget gain of \$204,590.

Combined, FY 2012 revenues from Montgomery County are projected to increase \$57,957 compared to the prior year budget.

The economic downturn has caused overall fixed income securities rates to remain low, which has resulted in a significant decline in interest income earned on the City's investment portfolio in recent years. To put this decline in perspective, revenues from the use of money and property generated about \$354,000 in FY 2008. Staff projects receipts of \$60,000 in FY 2012.

Revenues from services and charges are projected to exceed the FY 2011 budgeted amount, primarily due to increased revenues from recreation programs and services. On a budget-to-budget basis, revenues from services and charges are expected to increase by \$71,100. The majority of the variance is attributable to recreation programs and services.

As part of the preparation of the proposed budget for FY 2012, staff conducted a comprehensive review of the City's fee structure. The City's cost of providing the service was analyzed, as well as a survey of other jurisdictions' fee structures. Proposed General Fund revenues reflect increases in several existing fines and fees (for example, parking violation fines), as well as the enactment of new charges, such as the enactment of a library card charge for Montgomery County residents who live outside the boundaries of Takoma Park.

## General Fund Expenditures

The proposed budget for FY 2012 includes General Fund expenditures in the approximate amount of \$20.74 million. The following table summarizes proposed expenditures by department or budget unit. Budgeted and estimated expenditures for FY 2011 are provided for comparative purposes.

<b>Department/ Budget Unit</b>	<b>Budgeted FY 2011</b>	<b>Estimated FY 2011</b>	<b>Proposed FY 2012</b>
General Government	\$2,450,098	\$2,369,334	\$2,490,336
Police	5,752,730	5,815,597	5,939,150
Public Works	3,889,393	3,775,655	3,900,442
Recreation	1,346,678	1,294,075	1,344,716
Housing & Community Development	1,265,788	1,234,007	1,278,650
Communications	345,123	306,856	323,425
Library	992,559	980,396	1,025,774
Non-Departmental	941,817	924,981	905,790
Capital Outlay	4,207,663	4,083,792	1,383,291
Debt Service	1,180,913	1,180,764	2,144,583
<b>Total Expenditures</b>	<b>\$22,372,762</b>	<b>\$21,965,457</b>	<b>\$20,736,157</b>

Proposed General Fund expenditures for FY 2012 are \$1,636,605 less than budgeted expenditures for FY 2011. The components of the variance are described in more detail below.

- Personnel costs account for approximately 63 percent of fund expenditures. This expenditure category is up by \$365,363, or about 2.9 percent, compared to the prior year budget. As mentioned earlier in this transmittal message, increased fringe benefit costs (specifically the City's contribution to the State Retirement and Pension System and employee health insurance) account for the majority of the variance.
- Supplies, representing about five percent of General Fund expenditures, are essentially flat. This expenditure category is down by \$1,243 compared to the FY 2011 budget.
- Services and charges account for 11 percent of fund expenditures. Proposed FY 2012 expenditures are down by \$135,662 or 5.5 percent compared to prior year expenditures. Contributing factors to the variance include an adjustment in the City's projected cost for electricity and a reduction in contractual costs in several departments.
- Miscellaneous expenditures are up by \$959,309, or about 46 percent. As discussed earlier in this transmittal message, the proposed budget assumes the redemption of the balance of the 2002 general obligation bond issuance for the Community Center, which has an associated cost of \$1.24 million. The redemption will save Takoma Park taxpayers approximately \$347,000 in interest and fees.
- Capital costs will decrease by \$2,700,501. The variance is attributable to construction costs associated with the Public Works Facility renovation, the majority of which were incurred in FY 2011.

Certain General Fund projects/initiatives that I would like to call to your attention are described on the following page.

- The Housing and Community Development Department budget includes \$30,000 to support the work of Main Street Takoma. The work of Main Street Takoma would otherwise be performed by



City staff, and the financial support provided to the organization is the most cost effective way for it to be accomplished.

- The proposed budget contemplates continuation of the Small Community Grant Program, which was established by the City Council to work in partnership with the community to help achieve the prioritized goals set forth in the Strategic Plan. Funding in the amount of \$7,500 is provided for this program.
- The Non-Departmental budgetary unit includes continued financial support for the Independence Day Committee (\$12,500), the Crossroads Farmer's Market (\$15,000), and emergency assistance services (\$15,000). In accordance with the Council's direction, funding in the amount of \$7,000 has been included in the proposed budget for support to the Takoma Park Folk Festival.

In recent years, the City has conducted a bi-annual survey of Takoma Park residents; the last survey was done in 2009. The survey has provided residents with the opportunity to provide feedback on the quality of life in Takoma Park and City services. City staff has found the survey results to be very useful in identifying areas of concern that require management attention. Because of budgetary constraints, no funding for the next iteration of the resident survey has been included in the proposed budget for FY 2012. Should a new source of funding become available during the course of the budget process (such as an increase in Highway User Revenues), I recommend that the Council consider funding the survey in the next fiscal year.

#### General Fund Fund Balance

Fund balance represents the difference between actual revenues and expenditures as accumulated over time. The source and timing of revenues, as well as the stability of revenue sources, dictate the level of fund balance necessary to avoid cash shortages in normal day-to-day operations.

The General Fund is anticipated to begin FY 2012 with a fund balance of approximately \$8.06 million. Approximately 33 percent of this amount is set aside for specific purposes and is not available for general operations of the City. These purposes include the Equipment Replacement Reserve and the Emergency Reserve. The reserved fund balance also includes monies received from WSSC for future street work.

The proposed budget for FY 2012 contemplates the expenditure of approximately \$1.37 million in fund balance monies. Of this amount, \$1.24 million represents the costs of redeeming the 2002 Community Center bond issue. The balance represents the anticipated expenditure of Equipment Replacement Reserve funds and costs associated with the Public Works Facility renovation.

As of June 30, 2012, the General Fund is projected to have a fund balance of \$6.70 million. Included in this amount are the monies designated for the Equipment Replacement Reserve, the newly created Facility Maintenance Reserve, the Emergency Reserve, and funds received from WSSC for future street work. Combined, these restricted funds are projected to total approximately 45 percent of the year-end total General Fund fund balance.

As required by the Charter of the City of Takoma Park, the FY 2012 budget includes a contingency account equal to 0.5 percent of budgeted revenues. This contingency account is reflected in the Non-Departmental budgetary unit of the General Fund. For the purpose of projecting the fund balance as of June 30, 2012, I have assumed expenditure of the full amount of the contingency accounts during the fiscal year. If no contingency monies are expended, the projected fund balance would increase by approximately \$97,090.

## **Stormwater Management Fund**

The City is responsible for providing stormwater management services within its corporate boundaries. These services, which are directed by the Public Works Department, include the construction, maintenance, and repair of storm drains, inlets, channels, and ditches. Additionally, the City ensures compliance with state and federal requirements for erosion and pollution control associated with stormwater run-off. Revenue and expenditure activities related to these functions are accounted for in the Stormwater Management Fund.

Almost all fund revenues are derived from stormwater management fees paid by property owners in the City. Other Stormwater Management Fund revenue sources are permit fees, late fees, and interest charges. The proposed FY 2012 budget assumes receipt of grant funding in the amount of \$111,000. If awarded, the monies would be used for the Ritchie Avenue Bio-Retention Project, described earlier in this transmittal message.

All property owners in the City pay a fee that is based on the amount of impervious surface on the property. Each single-family residential dwelling unit is billed at a flat rate equal to the average amount of impervious surface on a single-family lot (1,228 square feet). The proposed budget for FY 2012 assumes no change in the base rate of \$48, which was implemented in FY 2007.

The budget reflects total Stormwater Management Fund expenditures of \$498,511. Of this amount, \$211,000 is allocated for various capital projects. Fund expenditures also include 50 percent of the personnel cost of the City Engineer, who directs the City's stormwater management activities, and 25 percent of the cost of an administrative employee.

## **Special Revenue Funds**

The City has historically pursued federal, state, and county grants to advance community priorities while keeping taxes as low as possible. Over the years, these grants have provided funding for a variety of purposes, including law enforcement, community revitalization, park development, and infrastructure improvements. The City utilizes Special Revenue Funds to account for revenue and expenditure activity attributable to the specific project funded by each grant.

In FY 2012, the City will receive funding from a variety of entities, including the Community Development Block Grant Program, the Maryland Department of Energy, and the Maryland Department of Housing and Community Development Community Legacy Program. The proposed budget for FY 2012 reflects total Special Revenue Funds expenditures of \$1,025,041. Projects to be funded with grant monies during the fiscal year include the following:

- Educational programming to enhance the safety of children coming to and from school
- Design and construction of sidewalk and related pedestrian safety improvements
- Weekly distribution of food to low- and moderate-income households and to elementary school children eligible for free and reduced meals
- Provision of façade grants for commercial buildings located within the Main Street Takoma area
- Renovation of Historic Takoma, Inc.'s headquarters in Takoma Junction
- Purchase of easements from qualified commercial property owners for various façade improvements, sign repair and replacement, and other related site improvements in Community Development Block Grant eligible census tracts

- Renovation of the field area of Ziegler Park
- Bilingual marketing and an educational initiative designed to improve access to fresh and locally grown foods associated with the Crossroads Farmer's Market.

An operating transfer in the amount of \$47,500 will be made from the General Fund to the Special Revenue Funds. Of this amount, \$500 will be used to pay for fund bank charges while \$20,000 is the required City match for the Ziegler Park field renovation. Funding in the amount of \$27,000 will be used for design work associated with the efficiency grant provided by the Maryland Department of the Energy.

Fund revenues will exceed expenditures by \$389,468. The difference between revenues and expenditures is due to the receipt of more cable grant monies than will be expended in FY 2012.

### **Speed Camera Fund**

The Speed Camera Fund was established in FY 2009 to account for financial transactions related to the City's speed camera program. The goal of the program is to reduce speeding in an effort to prevent accidents and reduce injuries and fatalities.

In FY 2009, two cameras were installed on New Hampshire Avenue. Two cameras were also installed in the 500 block of Ethan Allen Avenue.

In March 2011, a fifth camera was installed in the 1000 block of University Boulevard, eastbound. Installation of a sixth camera in the 1000 block of East-West Highway, westbound, is pending.

#### Speed Camera Fund Revenues

By State law, speed camera program revenues are restricted. They can only be used for purposes that improve public safety.

The City's speed camera program went into effect on April 1, 2009. The program was impacted by legislation enacted during the 2009 State legislative session. Prior to enactment of the legislation, citations were issued for speeds more than ten miles per hour above the posted limit; the 2009 legislation provided for citations to be issued for speeds in excess of 12 miles per hour above the posted limit as of October 1, 2009. The change in the citation threshold resulted in a decrease in fund revenues.

For FY 2012, Speed Camera Fund revenues are budgeted at approximately \$1.6 million. Because the City has limited data on the recently installed University Boulevard camera and the East-West Highway camera has not yet been installed, this revenue projection is based on the operations of only the New Hampshire and Ethan Allen cameras. At such time as reliable data relative to the newest cameras becomes available, Speed Camera Fund revenues should be adjusted through the budget amendment process.

#### Speed Camera Fund Expenditures

Speed Camera Fund expenditures for FY 2012 total \$2,280,778. In preparing the fund budget, a concerted effort was made to address the diverse opinions of Councilmembers regarding the use of speed camera monies.

An overview of Speed Camera Fund expenditures is provided below:

- Personnel costs for 3.75 full-time equivalents will be charged to the Speed Camera Fund. This represents an increase of 0.75 full-time equivalents compared to FY 2011. The cost of the officer assigned to the inter-jurisdictional Gang Task Force was fully funded with grant monies during FY 2011; however, it does not appear that the federal government will reauthorize funding for the Task

Force for FY 2012. There is sufficient grant funding for the position for the first quarter of the new fiscal year; the balance of the cost of the employee will be charged to the Speed Camera Fund in the coming fiscal year.

- The contractually required payment to ACS State and Local Solutions, Inc., the firm that the City retained for installation of the speed cameras, is projected to be \$623,000. This figure is tied to Speed Camera Fund revenues which, as previously indicated, are budgeted only on the New Hampshire Avenue and Ethan Allen Avenue cameras.
- Funding in the amount of \$140,800 is allocated for public safety expenditures, including in-car video cameras, personal protective equipment for police personnel, field radio equipment, and in-car mobile computers. Field radio equipment and in-car mobile computers were previously funded out of the Equipment Replace Reserve. The transfer of these items to the Speed Camera Fund relieves some of the financial pressure on the Equipment Replacement Reserve, allowing a reduction in the amount to be allocated to it on an annual basis.
- An allocation of \$575,000 has been included for new sidewalk design and construction. It is anticipated that the work will be focused on Wards 2 and 6.
- Funding in the amount of \$300,000 is earmarked for sidewalk retrofit work associated with compliance with the Americans with Disabilities Act.
- An allocation of \$130,000 has been allocated for the Ritchie Avenue traffic calming installation, with \$30,000 earmarked for other traffic calming measures.
- Other capital projects include pre-development work related to the Ethan Allen Gateway Streetscape Project to facilitate future grant applications (\$80,000) and streetlight upgrades (\$20,000). Streetlight upgrades were previously funded out of the General Fund.

The balance of Speed Camera Fund expenditures includes operating supplies and bank charges.

#### Speed Camera Fund Fund Balance

The Speed Camera Fund is anticipated to begin FY 2012 with a fund balance of approximately \$1.06 million. Fund expenditures will exceed fund revenues, resulting in a reduction in fund balance.

The Speed Camera Fund is projected to have a fund balance of \$380,292 as of June 30, 2012. Because the proposed budget does not reflect any financial activity associated with the recently installed University Boulevard camera or the pending camera installation on East-West Highway, the year-end fund balance will be higher unless the Council allocates the net revenues from the cameras during the course of the fiscal year.

As reflected in the five-year Capital Improvement Program, the City will need to undertake a major acquisition of new radio equipment over the next few years. The current Montgomery County radio system is at the end of its life cycle and will no longer be supported by Motorola within the next three years. As part of the conversion process, the City will need to replace its current inventory of radios.

The City will begin replacing its police radios in FY 2012. In FY 2014, the City is projected to expend \$407,000 on new radio equipment. Because the cost of radio equipment has been moved to the Speed Camera Fund from the Equipment Replacement Reserve, it will be important to build up fund balance over the next two years to ensure that adequate funding is on hand for this expenditure. Therefore, I recommend that the projected fund balance of \$380,292 be reserved for future capital equipment purchases and that this amount be supplemented by the revenues generated by the recently installed University Boulevard camera and the pending installation on East-West Highway.

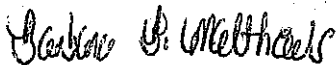
and the pending installation on East-West Highway.

### **Conclusion**

The preparation of my recommended budget each year is a significant undertaking by the Management Team and other staff members, and I offer my sincere thanks to all who played a role in its development. I would like to particularly acknowledge the contributions of Deputy City Manager Suzanne Ludlow, Director of Finance Yovonda Brooks, Human Resources Manager Karen Hampton, Budget/Financial Specialist Daisy Ling, and Executive Assistant Peggye Washington.

The staff and I look forward to working with the City Council to finalize a budget for FY 2012 that meets the expectations of the Takoma Park community.

Sincerely,

A handwritten signature in cursive script, reading "Barbara B. Matthews".

Barbara B. Matthews  
City Manager

# FY 2012 Budget at a Glance

- Total revenues (all funds) of \$22,915,252.
- Total expenditures (all funds) of \$24,540,487.
- Total General Fund revenues of \$19,417,988.
- Total General Fund expenditures of \$20,736,157.
- Assessable real property base (net) projected to increase by approximately \$59 million or 3.2 percent from FY11.
- Real property tax rate remains at \$0.58 per \$100 of assessed valuation. Real property tax revenues increase by \$395,178 compared to FY11 budgeted revenues.
- Tax duplication payments from Montgomery County decrease \$127,503 from FY11 to FY12.
- Increase in County police rebate, which is based on the City's assessable base. Budget-to-budget gain of \$204,590.
- Increase in existing user fees, including parking-related fines and dumpster, driveway apron, and utility fees. Implementation of new user fees for review of development applications, participation in housing workshops, and for County residents not living in Takoma Park for library cards.
- Staffing levels essentially flat.
- Anticipated General Fund expenditures of \$568,193 for street improvements. Includes \$150,000 for design services associated with the Flower Avenue Green Street Project.
- Continued funding for the City's local supplement to the State Homeowner Property Tax Credit Program. Funding of \$160,000 for the program.
- Contribution of \$750,000 to the Equipment Replacement Reserve.
- Creation of Facility Maintenance Reserve, with initial funding allocation of \$250,000.
- Early redemption of 2002 Community Center bond issue, which will save approximately \$347,000 in interest costs and trustee fees.
- Continued financial support for Main Street Takoma (\$30,000), the Crossroads Farmer's Market (\$15,000), and the Takoma Park Independence Day Committee (\$12,500). In accordance with Council direction, \$7,000 has been allocated for assistance to the Takoma Park Folk Festival Committee.
- Continued financial support for emergency assistance services (\$15,000) to supplement donations made through the stormwater management fee billing.
- Allocation of \$7,500 for the Small Community Grant Program.
- No change in base unit stormwater management fee.
- Expenditures of \$498,511 for the construction, maintenance, and repair of storm drains, inlets, channels, and ditches. Includes several bio-retention projects and removal of debris and invasives from Sligo Mill/Poplar Mill natural area.
- Various grant-funded projects in the amount of \$1,025,041 accounted for in the Special Revenue Funds. Projects include educational programming to enhance the safety of children coming to and from school and façade grants for buildings located within the Main Street Takoma area.
- Anticipated expenditure of \$2,280,778 from speed camera revenues. Expenditures include payment to the program contractor, design and installation of new sidewalks, retrofit of existing sidewalks for compliance with the Americans with Disabilities Act, police equipment, program staffing, the cost of the City's traffic officer, and a portion of the cost of the police officer assigned to the gang task force.

# Full-Time Equivalents (FTEs) Personnel Schedule

Staffing Summary by Department or Fund	Actual FY07	Actual FY08	Actual FY09	Actual FY10	Estimated FY11	Proposed FY12
General Government	16.00	18.00	18.00	18.00	16.50	16.50
Police	58.98	60.50	60.87	57.44	54.99	54.99
Public Works	32.83	32.63	32.63	32.63	32.25	32.25
Recreation	19.90	20.45	20.07	19.57	17.77	17.77
Housing and Community Development	9.50	9.50	9.50	10.25	9.38	9.38
Communications	3.00	3.00	3.00	3.00	2.00	2.00
Library	9.50	9.50	9.50	9.50	8.78	8.78
Stormwater Management	0.75	0.75	0.75	0.75	0.75	0.75
Special Revenue	-	-	-	0.50	1.87	1.16
Speed Camera	-	-	-	2.75	3.00	3.75
<b>Total</b>	<b>150.46</b>	<b>154.33</b>	<b>154.32</b>	<b>154.39</b>	<b>147.29</b>	<b>147.33</b>

# Organizational Chart

## The City of Takoma Park, Maryland

### Residents of Takoma Park

